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BUDGET HIGHLIGHTS 2010

PERSONAL TAX

INCOME TAX / TAX CREDITS

- The exemption limits, tax rates, tax credits and standard rate bands applicable for the tax year 2010 are set out in detail on the back page. There were no changes from the previous year.

MORTGAGE INTEREST RELIEF

- To support home owners who may find themselves in negative equity, mortgage interest relief which was due to expire in 2010 will now continue up to the end of 2017.
- To encourage those who want to buy a house over the next 3 years, new qualifying loans taken out before 1 July 2011 will continue to get relief at current levels for 7 years.

Transitional arrangements will apply to loans taken out in the subsequent 18 months at a reduced level and duration.

- Mortgage interest relief will be abolished entirely by the end of 2017.

HIGH EARNERS RESTRICTION

- The high earners restriction was introduced in Finance Act 2006 on specified reliefs under tax incentive schemes for those earning in excess of €250,000.
- The Government wants high earners availing of tax incentive schemes to contribute more in the current difficult circumstances. Accordingly, for the tax year 2010 the effective rate of Income Tax for those benefiting from reliefs will increase from 20% to 30%, on top of which they will also pay PRSI and levies.
- The entry point for the restriction will now occur at adjusted income levels of €125,000 with the full restriction applying at €400,000.

NON RESIDENT INDIVIDUALS

- A new levy of €200,000 per annum is being introduced. This will apply to Irish domiciles/nationals whose worldwide income exceeds €1m and whose Irish located capital is greater than €5m.

FARMERS INCOME LEVY RELIEF

- A relief from the Income Levy will be allowed in respect of certain expenditure incurred by farmers to comply with the requirements with the EU Nitrates Directive 91/676/EEC.

BUSINESS TAX

CORPORATION TAX RATE

- The Minister reiterated in his Budget speech that the 12.5% Corporation Tax rate will remain in place indefinitely.

TAX EXEMPTION FOR START UP COMPANIES

- New companies which commence trading in 2009 are given an exemption from Corporation Tax and Capital Gains Tax in each of the first three years to the extent that the tax liability in the year does not exceed €40,000. The Minister has proposed to extend this scheme to new start ups in 2010. This scheme may be subject to EU approval being obtained.

VAT CHANGE

- The standard rate of VAT of 21.5% will be reduced to 21% effective from 1 January 2010.

CAPITAL ALLOWANCES

- The scheme of accelerated capital allowances for energy efficient equipment is being expanded to include refrigeration/cooling systems, electro-mechanical systems and catering/hospitality equipment. This measure will improve energy efficiency while also helping companies under strong competitive pressures in sectors such as food & drink, retailing and distribution.

MOTOR INDUSTRY INCENTIVE

- A new car scrappage scheme is being introduced with effect from 1 January 2010 to run until 31 December 2010 which will give VRT relief of up to €1,500. This relief applies where a car of 10 years or older is scrapped in accordance with certain criteria and a new car within emissions bands A or B (i.e. with CO₂ emissions of 140 g/km or less) is purchased.
- The existing VRT exemption for series production in electric vehicles and the VRT relief of up to €2,500 for series production plug-in hybrid electric vehicles which was due to expire on 31 December 2010 is being extended for 2 years until 31 December 2012.

EMPLOYERS JOB INCENTIVE SCHEME

- Details of a new incentive scheme are to be announced which will encourage employers to take employees off the dole. It is envisaged that a relief from PRSI will be introduced.

CARBON TAX

- A new Carbon Tax was introduced for the first time by the Minister in his Budget speech. A Carbon Tax at a rate of €15 per tonne is being introduced on fossil fuels.
- The new Carbon Tax will apply to petrol and auto-diesel with effect from midnight 9 December 2009.
- Carbon Taxes on all other fossil fuels will be introduced from 1 May 2010. Two exceptions to this are coal and commercial peat which will be subject to a commencement order.
- The impact on individual fuels in terms of nominal and percentage price changes is illustrated in the table hereunder:

Fuel Type	Unit	Current Price €	Carbon Tax @ €15 Per Tonne (VAT incl.)	% Change in Price
Petrol	Litre	1.19	4.2 cents	3.5%
Auto-diesel	Litre	1.10	4.9 cents	4.4%
Kerosene	1,000 Litres	516	€43.14	8.4%
Marked Gas Oil	1,000 Litres	539	€46.87	8.7%
LPG	1,000 Litres	720	€27.97	3.9%
Fuel Oil	1,000 Litres	600	€52.15	8.7%
Natural Gas	13,750 kwh*	800	€47.86	6.0%
Peat Briquettes	Bale	3.85	39 cents	10.1%
Coal	40kg	16.20	€1.79	11.1%

*Average annual household consumption

- A vouched fuel allowance scheme will be developed to offset the increases for low income families dependant on such fuels.

OTHER TAXES & DUTIES

- There were no changes to Capital Gains Tax, Capital Acquisitions Tax and Stamp Duty.

MISCELLANEOUS

EXCISE DUTIES

- Excise Duty is being reduced on beer and cider by 12 cents (VAT incl.) per pint, on spirits by 14 cents (VAT incl.) per half glass and on wine by 60 cents (VAT incl.) per 75cl bottle. These reductions will take effect from midnight on 9 December 2009.

SOCIAL WELFARE CHANGES

- Child Benefit rates will be reduced by €16 per month from January 2010, bringing the lower rate to €150 per month and the higher rate to €187 per month. Welfare dependant families will be fully compensated by increasing the Qualified Child Allowance by €3.80 per week. Low income families in receipt of Family Income Supplement (FIS) will also be fully compensated.
- From 1 January 2010 the personal rate of job seekers allowance for new applicants has been changed.

A new rate of €100 per week will apply for new applicants aged 20 – 21. €150 per week for new applicants aged 22 – 24. These rate reductions will not apply to claimants with dependant children. The personal rate of job seekers allowance and basic supplementary allowance will be reduced to €150 where job offers have been refused.

POTENTIAL FUTURE CHANGES

- A new universal social contribution will replace Employee PRSI, the Health Levy and the Income Levy. It will be paid by everyone at a low rate.
- Income Tax will apply on a progressive basis to those with higher incomes reflecting their capacity to make a greater contribution.
- The Minister indicated that enhanced incentives for R&D and intellectual property may be announced in the Finance Bill.
- Consideration is being given to the introduction of a site valuation tax which will effectively be a property tax.
- The Minister indicated that water charges are to be introduced which will be based on consumption above a free allocation.

PERSONAL TAX FACTS

TAX CREDITS FOR TAX YEAR 2010

	2010	2009		2010	2009
	€	€		€	€
PERSONAL			INCAPACITATED CHILD	3,660	3,660
Single	1,830	1,830			
Married	3,660	3,660	DEPENDANT RELATIVE	80	80
Widowed Person	2,430	2,430			
Lone Parent	3,660	3,660	BLIND PERSON		
PAYE	1,830	1,830	Single / Married	1,830	1,830
WIDOWED PARENT BEREAVEMENT			Married (both blind)	3,660	3,660
Tax Credit year 1	4,000	4,000	RENT RELIEF (up to max)		
- Tapering to year 5	2,000	2,000	Under 55, (Single)	400	400
AGE CREDIT			(Married)	800	800
Single / Widowed	325	325	Over 55, (Single)	800	800
Married	650	650	(Married)	1,600	1,600

INCOME TAX RATES

INCOME EXEMPTION LIMITS

SINGLE PERSONS 2010	MARRIED PERSONS 2010 (Two Incomes)		2010 €	2009 €
20% First €36,400	20% First €72,800*	Single or Widowed		
41% Balance	41% Balance	65 years or over	20,000	20,000
LONE PARENT	(One Income)	Married Couples		
20% First €40,400	20% First €45,400	65 years or over	40,000	40,000
41% Balance	41% Balance			

* Transferable between spouses up to a maximum of €45,400 for any one spouse

INCOME LEVY

EMPLOYEES & SELF-EMPLOYED	From 01/01/2010	From 01/05/2009
	2.00% on first €75,036	2.00% on first €75,036
	4.00% on €75,036 to €174,980	4.00% on €75,036 to €174,980
	6.00% on excess over €174,980	6.00% on excess over €174,980

PRSI

EMPLOYER	From 01/01/2010	From 01/05/2009
Contribution for Class A		
PRSI	10.05%	10.05%
Training Levy	0.70%	0.70%
TOTAL FOR EMPLOYER	10.75% no limit	10.75% no limit
	8.5% on earnings less than €357 p.w.	8.5% on earnings less than €357 p.w.
EMPLOYEE		
PRSI	** 4.00% on first €75,036	** 4.00% on first €75,036
Health	*** 4.00% on first €75,036	*** 4.00% on first €75,036
	5.00% on balance	5.00% on balance
SELF-EMPLOYED / DIRECTORS CONTRIBUTIONS		
PRSI	**** 3.00% no limit	**** 3.00% no limit
Health	*** 4.00% on first €75,036	*** 4.00% on first €75,036
	5.00% on balance	5.00% on balance

*First €127 p.w. exempt from PRSI

** Not applicable if earnings less than €18,300 p.a. (€352 p.w.)

*** Health Levy threshold remains at €26,000 p.a. (€500 p.w.)

**** 3% subject to minimum payment of €254